

How Does It Work?

Two municipalities agree to develop a conditional transfer of land agreement. It may be for a specific economic development project or it may be done to prepare the property for future economic development. Incremental agreements may also be reached that outline areas that will fall under a P.A. 425 agreement (the agreement itself will actually be written and prepared), but it will not be implemented until a point in the future.

The agreement itself must include the following points:

- The municipality to which the land is being transferred.
- The methods by which the contract may be terminated by either municipality prior to the stated date of termination. For instance, language may include that if the said project does not occur within two years of the P.A. 425 agreement being signed, the land will automatically revert back to its original status.
- The manner of employing and managing personnel required to complete the actual economic development project.
- The adoption of ordinances and their enforcement by or with the assistance of the respective municipalities.
- The way in which purchases shall be made and contracts entered into.
- The way of responding to liabilities that might be incurred through the life of the agreement and insuring against such liability.
- The length of contract, which can be 1–50 years. Agreements typically last 50 years. However, any year can be agreed upon. Some suggest that the length should match the length of the bond needed for the infrastructure improvements.
- Specific arrangements for sharing the tax revenue or any other revenue. Agreements can also include a clause that cities will guarantee a payment equal to whatever final millage rate is agreed upon even if something were to occur during the life of the agreement that may eliminate personal property tax laws in the state. In addition, other revenue sources, including city income tax or other city fees, could be negotiated
- The local unit will have jurisdiction over the transferred land upon the expiration of the agreement.